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RB
RESTAURANT BUSINESS
MAY 20, 1992
A BILL PUBLICATION

The Trials of Chairman Posner

Once convicted of income tax evasion, Arby's Victor Posner now faces charges of criminal contempt and misusing his company. If a federal judge in Cleveland has his way, Posner will have to give up Arby's, and he may even go to jail. Some franchisees wouldn't mind that a bit.

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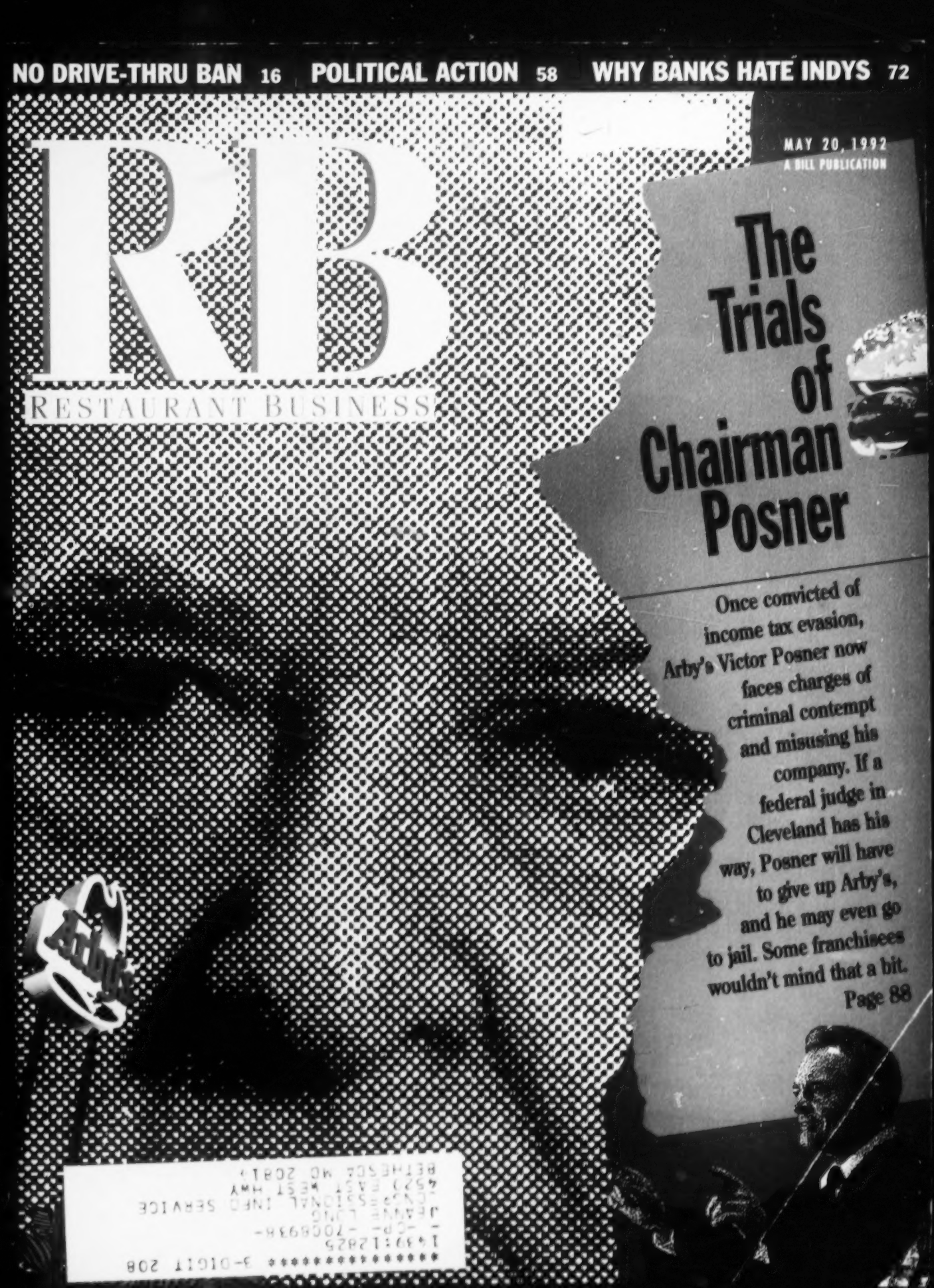
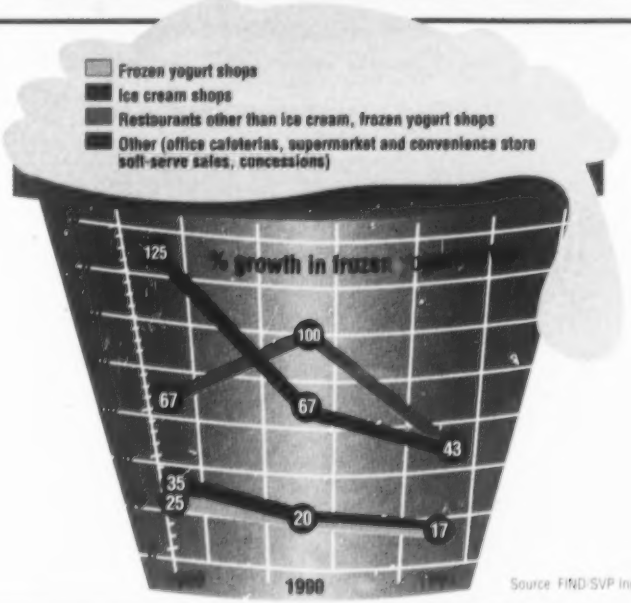


BUSINESS BAROMETER

Frozen Yogurt Sales Melt

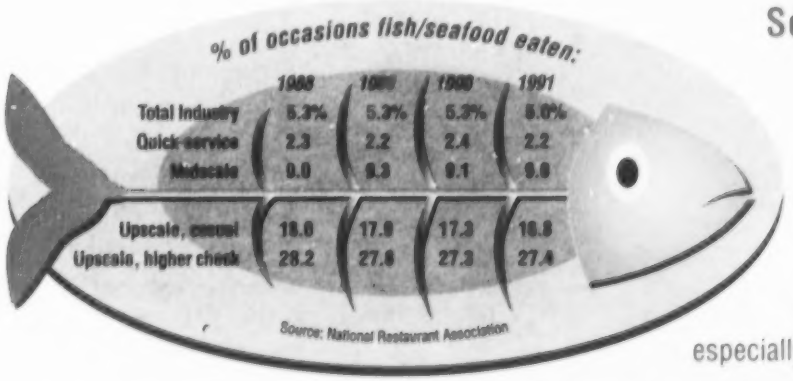
The soaring growth rate of frozen yogurt—especially evident in the late 80s—slowed considerably in 1991. The greatest sales gains last year were made in restaurants other than frozen yogurt and ice cream shops, such as fast-food places like McDonald's.



Source: FIND/SVP Inc.

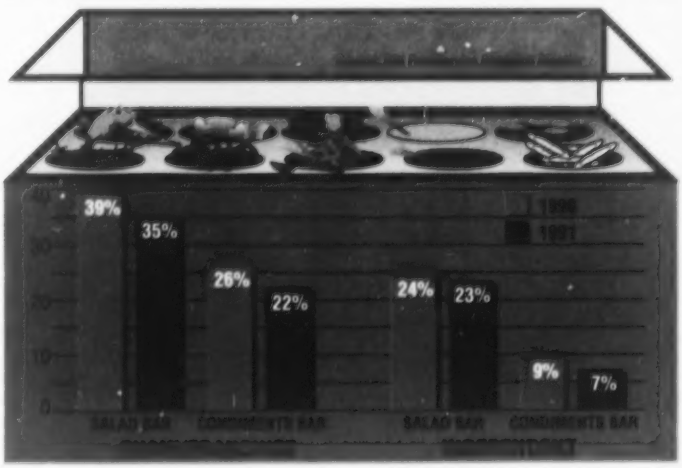
Seafood Consumption Dips

As the safety of seafood became a more important issue among consumers, restaurant seafood orders went down slightly in 1991. But upscale restaurants managed to hold on to the biggest share of the seafood pool, especially the higher priced establishments.



Salad and Condiment Bars Wilt

The percentage of operators offering salad and condiment bars declined last year, according to a newly released survey. In 1991, 29% of all operators polled had salad bars while 15% had condiment bars. In 1990, that figure was 30% and 18%, respectively.



Charts by Peter K. Nicolaou

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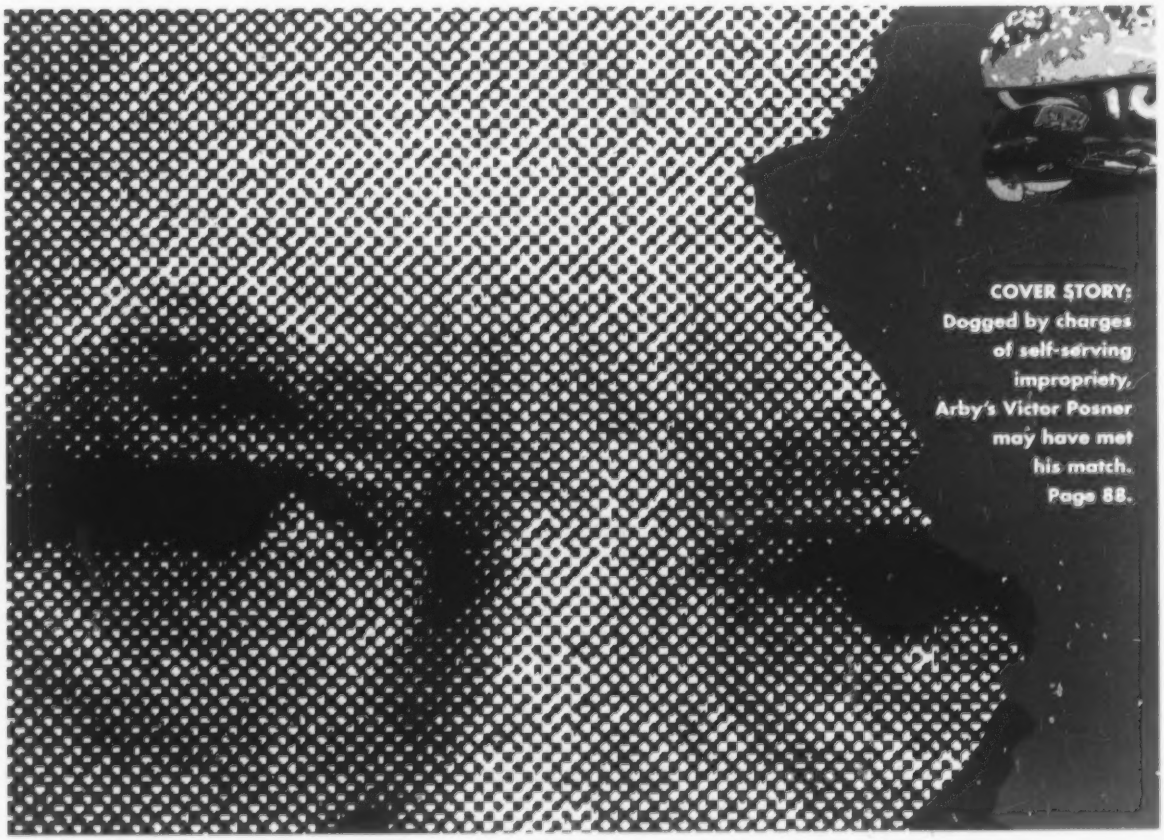

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COVER STORY

THE TRIALS OF CHAIRMAN POSNER. Dogged by charges of self-serving impropriety, Arby's Victor Posner has met his match in a federal judge who may force Posner to sell the chain or go to jail 88

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Cover Illustration by Jack Lefkowitz

Photograph by David Walters/The Miami Herald

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RB COVER STORY RESTAURANT REVIEWERS. Who are these people and how'd they get to be so influential? This article features interviews with restaurant reviewers around the country and discusses their background and what makes them the "authority" on restaurants. Operators' views on the reviewers will also be included.

MARKET SEGMENT REPORT STEAK. Steak restaurants are hanging in there; few reported significant sales declines in troublesome 1991, and most began 1992 with strong showings. Upscale places still attract the expense-account crowd while the budget chains lure the economy minded.

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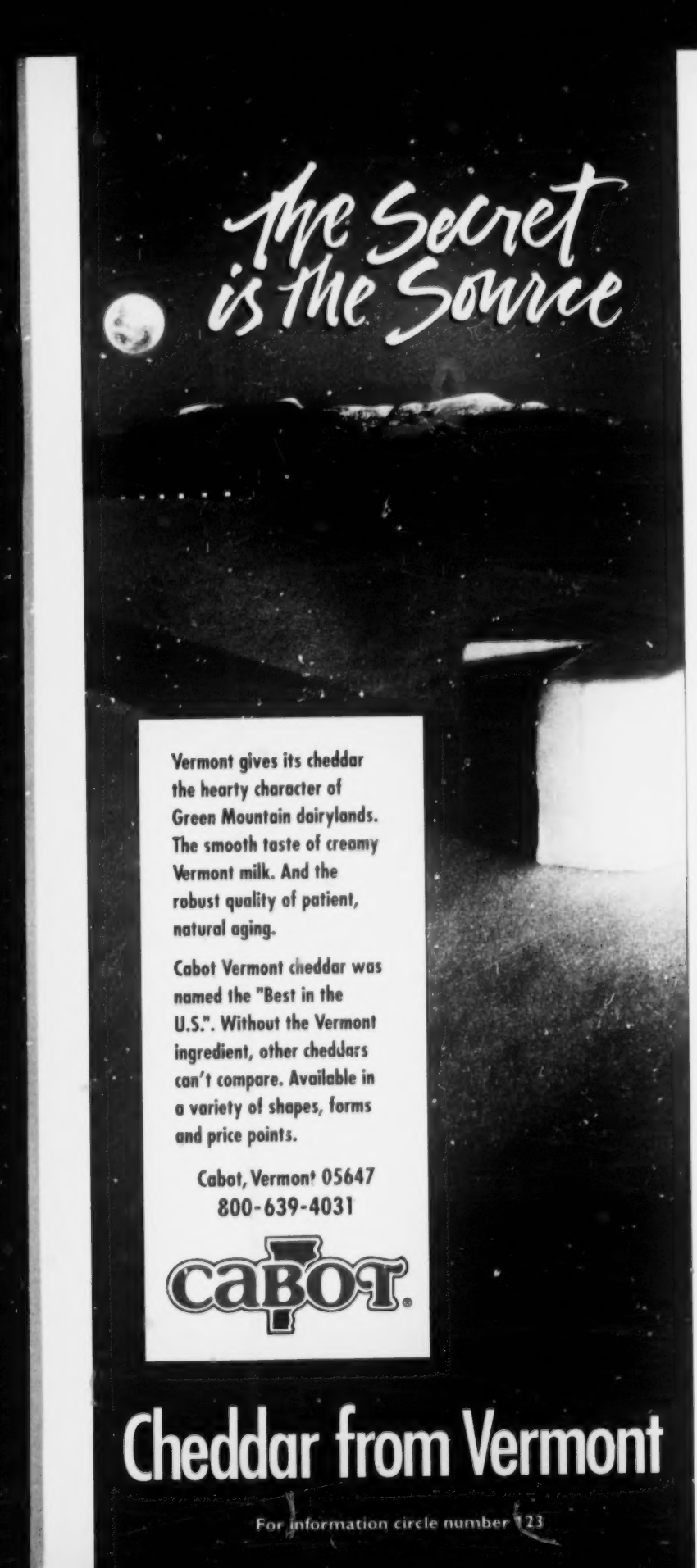
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PIZZA

MARKET SEGMENT REPORT

The growth boom of the '80s has dwindled.

By James Scarpa

Pizza just might be America's favorite food. it is especially popular with kids. Operators find that it is unmatched in its suitability for take-out and delivery. The segment is coming off record growth that has tapered off in recent years, partly due to the recession and a maturing market. Once the province of Mom and Pop entrepreneurs, the pizza pie has been cut into by chains. Now even burger giant McDonald's is going for a slice, intrigued by the product's growth potential.

Traffic grew 3% in the pizza segment in 1991, equalling the previous year's rate, and once again slightly outpacing the industry's paltry 1% increase, according to the CREST report of the NPD Group, Park Ridge, Ill. Off-premise pizza traffic—approaching 70% of the total pie—grew at a 4% rate last year, considerably faster than on-premise's 1% rate, says CREST.

Growth in the $17 billion pizza segment was brisk not long ago. However, aggressive chain expansion and widening distribution through other channels is keeping supply at, or above, demand.

Total pizza restaurants nationwide increased from 35,770 in 1985 to 51,256 in 1991, a 43.3% rise, according to the RE-COUNT report of RCG Inc., Evanston, Ill. In 1988 and 1989, pizza unit increases reached highs of 9% and 10%. Significantly, three-quarters of the units added were chain-owned.

But the growth ceased abruptly in 1990, as the number of units declined 0.4%, RE-COUNT shows. In 1991, it managed a 3.5% rebound, but still far below its recent performance.

These numbers may be slightly misleading because of the segment's move into alternative distribution, including schools, colleges, hospitals, industrial and office cafeterias, and supermarkets. Pizza is one of America's most widely available foods.

McTHREAT. Without question, the segment's most

continued on page 146

Dallas-based Pizza Inn is on the comeback trail. Pictured are some of the chain's specialty pizzas: taco, chicken fajita, and BLT.

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Many of the segment players are concerned about McDonald's pizza test.

anticipated event is a threat from the outside: the rollout of McDonald's Pizza in 8,800 units.

The question is, when? The Oak Brook, Ill.-based burger giant is noncommittal. It has said that pizza will be an element of its long-awaited dinner menu, which is still in development.

"I expect they'll continue the test in 1992 and roll it out at the earliest in 1993-'94," says Michael Mueller of San Francisco-based Montgomery Securities. Other observers remember that it took years and years to roll out Chicken McNuggets.

Currently in test in some 500 stores, the product is quick and inexpensive. In Columbus, Ohio, one of its test markets, pizza is served within three to five minutes, crew people claim. A 6-in. personal-size deluxe pizza with five toppings is $2.19, a 12-in. deluxe family-size is $5.99. McDonald's tosses in a second family-size pie for just $4 more. Signs in the stores announce that they will honor pizza competitors' coupons.

McDonald's promoted a limited-time Bacon Double Cheeseburger pizza in Columbus this spring as well, and a $3.59 meal deal consisting of a personal pizza, side salad, and soft drink.

For now, pizza segment operators can only speculate about the impact of a national pizza rollout by McDonald's.

"Since 80% of our business is done at dinner, [McDonald's pizza] will be a threat to us and the segment," predicts Jim Fletcher, president and COO of Round Table Pizza. "It remains to be seen how much of McDonald's business will be at the expense of established pizza chains and how much it will expand the segment."

Mueller is not convinced it will be an immediate threat to pizza players. "There's still a hurdle to overcome—do people view McDonald's as a pizza chain? Furthermore, pizza chains are improving their products and offering delivery, which McDonald's doesn't."

"If anything, the biggest fear is of the effect that McDonald's will have on demand for flour, sauce, and cheese," says Steven Jackson, president of Hungry Howie's Pizza & Subs, based in Livonia, Mich.

In this environment, many quick-service pizza operators are attempting to build customer frequency by expanding their menus. They're also improving sales-to-investment ratios by downscaling buildings.

UPPER CRUST. The nation's largest pizza chain, Wichita, Kan.-based Pizza Hut, has vowed a fight whenever McDonald's pizza appears. Pizza Hut's consistently strong earnings and aggressive growth keep it on the upper crust of the segment.

Last year, Pizza Hut reported an 8% increase in systemwide sales to $5.3 billion. Company sales increased 10% to $3.3 billion with operating profits up 28%. It has 8,837 system units, including 1,573 outside the U.S., with a five-year compound growth rate of 9.4%.

Pizza Hut isn't resting on its laurels. It's been pushing the research and development envelope with innovative test concepts. This spring, it tested Fastino's, a drive-thru pizza and pasta unit. Last summer, it intrigued the industry with the full-service, upgraded Pizza Hut Cafe.

Strong earnings have made Bertucci's Brick Oven Pizzeria a Wall Street favorite.

The Fastino's unit, located in a Wichita strip mall, gives "service on demand," as senior vice president of marketing Robert Perkins puts it. "You get your food as fast as you can go through the drive-thru," he says.

Its three pizzas—pepperoni, beef and pepperoni, and a six-topping deluxe pizza—range in price from 79¢ to 99¢ for a slice to $4.99 for a 12-in. pie.

The Pizza Hut Cafe, also in Wichita, offers full table service and a rustic Italian decor, which is more stylish than the typical red roof unit. The menu includes specialty pizzas such as "I

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Needa Fajita Pizza" and "Eve's Vegetarian Garden Delight," plus other items such as fettuccine, grilled chicken, and Caesar salad.

The Cafe is a laboratory to study menu variety, price/value, ambience, and service. Perkins explains, "We're very close to putting some of our experience from the Cafe into a red roof restaurant," he says.

In addition, Pizza Hut continues to expand its delivery business and develop nonconventional locations.

Delivery is Pizza Hut's fastest-growing slice of business. Last year, it exceeded $1.2 billion of 30% of U.S. system sales. More than 1,000 new delivery locations will be added in the next few years. "We have a short-term goal of being the top delivery chain in America," says Perkins.

Nonconventional locations include airports, hospitals, Marriott Hotels, business cafeterias, school lunchrooms, sports stadiums, and even a supermarket in Phoenix. It's also investigating in-flight pizza service. Pizza Hut is likely to step up its use of mobile pizza carts in stadiums and other public venues; parent PepsiCo recently purchased a major stake in Carts of Colorado.

These are challenging times for Ann Arbor, Mich.-based Domino's Pizza, due to management's miscues and aggressive competition from Pizza Hut. Last year, the 5,400-unit chain lost a whopping $48.7 million on a systemwide sales decline of $250 million, the first decline in three decades. Most alarming for Domino's is that its once commanding market share in pizza delivery is down to about 46%, while Pizza Hut's is inching up to over 20%.

After a hiatus, founder and owner Tom Monaghan has returned to day-to-day management, replacing president Dave Black and other top managers and appointing former franchisee Phil Bressler as vice president of operations. Unable to sell the chain since 1989, Monaghan says he will give up as much as 49% of the company in an initial public offering later this year. In the short term, he's shed costly playthings such as antique cars and an airplane fleet. His baseball team, the Detroit Tigers, may be sold, too.

Domino's damage control consists of a revamped pizza with a crunchier crust and twice as much meat and cheese, a move intended to rival Pizza Hut's product. Furthermore, it is still trying to make a satisfactory pan pizza. In addition, Domino's is testing a budget-priced two-for-one pizza to compete with Little Caesars.

The leader in two-for-one carryout pizza, Little Caesar Enterprises, Inc. is squeezing Domino's on the low end. The Detroit-based chain offers deals that are nigh impossible for any delivery competitor to match. In the Midwest recently, it advertised two medium pizzas with one topping, two four-piece orders of Crazy Bread, and two 16-oz. soft drinks for just $7.98.

Pepperoni! Pepperoni!, another deal it touted recently, offered two medium pepperoni pies with 94% more pepperoni, pepperoni Crazy Bread, and Chocolate Ravioli for dessert, also for $7.98.

High value perception has made Little Caesars one of the fastest-growing chains in recent years. It ended 1991 with $1.7 billion in sales and 3,650 units. For 1992, it projects a 25% growth, to $2.2 billion in sales and 4,575 units.

Dallas-based Pizza Inn has been making progress on the comeback trail since 1990, when president and CEO Jeff Rogers came aboard and took the chain out of Chapter 11 bankruptcy in less than a year. Rogers' turnaround efforts have emphasized basics such as store cleanliness and training. He has also sold off company units to focus on franchising. Pizza Inn's 420-unit system now has only about 18 company units, down from 135 when Rogers arrived.

Pizza Inn's debt has dropped from $135 million to $22 million. Last fall, Pizza Inn began showing double-digit comparable store sales. "We're nine months ahead of our business plan," says Rogers.

Franchisee morale has improved. About 22% of operators are remodeling their stores with new logo signage. They're showing increased interest in new store development as well.

Pizza Inn plans to open 43 more domestic units this year. Internation-

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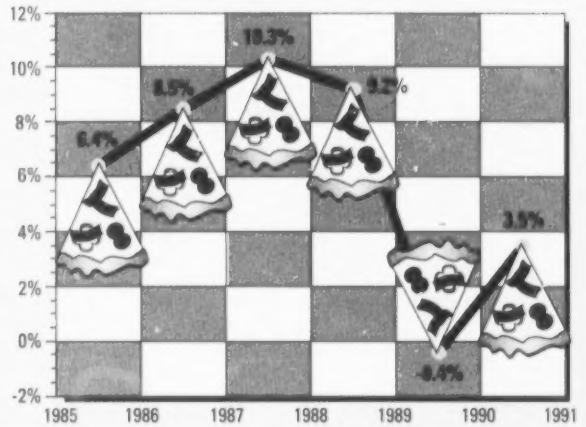
PHENOMENAL GROWTH FALLS FLAT

The Pizza Market Segment had an amazing 43.3% increase in total units from 1985 to 1991. But that rapid rate declined significantly in the '90s and has not regained the earlier record levels of growth.



SOURCE: Restaurant Consulting Group Inc., RE-COUNT

Overall, pizza traffic grew 3% in 1991; this equalled the previous year's counts.

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ally, where it franchises units in Taiwan and the Middle East, it plans 17 more units. Negotiations with a Mexican concern were taking place at press time.

Like many of its segment peers, Omaha, Neb.-based Godfather's Pizza is investigating alternative locations such as schools and hospitals. Mobile pizza trucks serve public gatherings such as county fairs.

Early this year, Godfather's joined several other major chain restaurant brands in the debut of a noteworthy new attempt to capitalize on consumer demand for ready-to-eat brand name foods in supermarkets. It's the Supreme Court food court, located in a Price Chopper supermarket near Kansas City, Mo.

On the new product front, it rolled out Super Hawaiian Pizza, topped with ham, pineapple, bacon, and green peppers. It also introduced potato wedges, which it calls a popular and simple addition to its buffet.

Godfather's had a "relatively good" year in 1991, says a spokesperson, although the privately held company declines to reveal financial details. The 511-unit chain includes 352 franchised units. In 1992, it foresees 7% to 10% unit growth.

Hungry Howie's Pizza & Subs recently celebrated the 200th unit opening of its all-franchised system. The chain was founded in 1973 and opened its first franchise a decade later. Now, it plans to step up its pace to a projected 40 to 50 new units this year. About 100 of its units are located in Florida, 80 in Michigan, with the remainder scattered in the Southeast, Ohio, and California.

Hungry Howie's distinguishes itself with its dual-item concept and its trademarked "flavored-crust" pizza, which includes butter-cheese, sesame, garlic, poppy seed, rye, and Cajun versions. The crust is flavored just before the pie enters the oven.

"Look in a discarded pizza box from another company, and you often see the crusts in it," says president Steven Jackson. "That doesn't happen with Hungry Howie's."

Godfather's broadened its menu with a Dessert Cherry Pie with streusel topping.

It anticipates the rollout in Michigan of Pantangle, a rectangular deep-dish pizza, popular in its Florida stores.

Subs are a sideline that accounts for 10% to 12% of total business. Other meal additions include Howie Bread, which is flavored with garlic, dill, butter, and Parmesan cheese, salads, and the Fruzza, 10-in. pizza dough rounds with fruit toppings.

San Francisco-based Round Table Franchise Corp. is known in California and nine other Western states by its slogan—"Get Real—Get Round Table." It draws attention to its quality ingredients and abundant toppings.

Today Round Table has additional items on the drawing board. "Chains have to look somewhat beyond pizza to maintain growth these days," says CEO Jim Fletcher. Included are signature items that will capitalize on its "California image," he says.

Other priorities for the 565-unit chain include expanding delivery, currently offered in more than 400 units and accounting for about 25% of sales, and enhancing the overall quality, service, and cleanliness of the stores.

At a recent conference, Round Table franchisees received awards for high scores in a rigorous QSC evaluation conducted by outside consultants and undercover corporate staff.

In 1991, Round Table increased its system sales to $317 million from $311 million a year earlier.

South San Francisco-based Shakey's Pizza, a subsidiary of Inno-Pacific Holdings Ltd. of Singapore, was jolted by the sudden death of president Gene Stone last year. A permanent successor will be named soon, says Kay Yew Koh, acting president and CFO.

Shakey's was founded in 1954 as a unique blend of English pub and pizza restaurant with live Dixieland jazz. It grew quickly to a successful 500-unit chain by the early 1970s.

Subsequently, Shakey's passed to a succession of three owners, none able to maintain its momentum. In 1989 Inno-Pacific Holdings, an Asian investment and management concern, acquired Shakey's and provided an

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infusion of capital. Its goal is to make Shakey's a strong regional pizza and buffet chain. System sales in 1991 were $125 million. Shakey's has 185 units in the U.S., all but 24 franchised, and 205 overseas.

Shakey's plans to restrain growth for now, adding only 10 new units in 1992. It hopes to stimulate increased future growth by developing a downsized unit with lower investment costs. The target is a 2,500-sq.-ft., $400,000 building, a considerable step down from Shakey's 5,000-sq.-ft. to 7,000-sq.-ft. older units costing $750,000.

Shakey's has one of the most varied menus in the segment. Pizza is the menu mainstay, but it also offers signature breaded and seasoned Mojo potatoes and an extensive salad bar. About a third of its stores, mainly in the Midwest, offer elaborate all-you-can-eat buffets all day, with fried chicken, fried fish, tacos, and pasta. Units in the West focus more on pizza, limiting the buffet to lunch.

Shakey's considers chicken a competitive advantage. "Competitors won't make the investment to put in fryers to make chicken," says vice president of marketing Jim Fisher. A recent Shakey's promotion offered five pieces of chicken plus Mojos for $1.99 with the purchase of a medium pizza at the regular price.

New products include spicy chicken wings and a reformulated pan pizza with lighter toppings that cooks more quickly than the previous version. At times, the chain goes wild with specialty and promotional pizzas, such as a sauerkraut and Canadian bacon version for Oktoberfest and an offbeat pie topped with whitefish, crab, shrimp, and Thousand Island dressing.

Kerrville, Texas-based Mr. Gatti's wants to elevate itself above the realm of price wars and two-for-ones. "The most important message we have to communicate is the quality of our product," declares Roger Blanton, president and COO of the 254-unit chain, which is a subsidiary of LDB Corp. Mr. Gatti's has 176 franchised stores. The privately owned firm does not release financial results.

Off-premise accounts for 70% of traffic.

Mr. Gatti's touts its pizza dough, made fresh daily in the stores. It also brags about the fresh herbs and aged, smoked provolone cheese it uses.

Mr. Gatti's Favorites line of pizzas include the Sampler, an 11-topping pie,

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Pizzeria Uno is extending its menu beyond its signature deep-dish pies to include thin-crust pizzas.

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the Roman Holiday, with pepperoni, spicy Italian sausage, black olives, fresh tomatoes, onion, and bell pepper; the Mexican-flavored Fiesta; and the spicy Torch.

Its "No Double Double Talk" campaign purports that Mr. Gatti's gives good value for the price of one—not two—pizzas. The prices of medium and large cheese pizzas have been reduced to $4.99 and $5.99 respectively, with additional toppings priced $1 apiece. What's more, its Daily Deals offers good buys on slow weekdays.

Mr. Gatti's restaurants are typically 3,500 sq. ft. and have 140 seats in three seating areas—a family dining room with big-screen TVs, a Good Times room that shows cartoons for youngsters, and a garden room with large windows that offers a quiet, relaxed atmosphere. Future units will include Gattilands, a family game room.

The recession is old hat for Tulsa, Okla.-based Mazzio's Corp. "Our core Texas and Oklahoma markets had their own recession in the oil bust of the early '80s," says marketing vice president Greg Lippert.

Lippert reports that the privately owned company had 245 units and $130 million system sales in 1991. Same-store sales for the year increased 2.3%. They're up 2.6% in the first three months of 1992. "We compete very well with the big players as a regional chain," says Lippert.

New on Mazzio's menu this year are specialty pizzas—Cajun, Seafood, and the Pace Picante Pizza, topped with a brand name Mexican hot sauce. The restaurant also has a 30-item salad bar that includes pasta, chicken wings, and nachos.

A year ago, Mazzio's introduced Pizza Lite, a reduced fat and cholesterol pizza. "It's hard to get people to try it, but it is increasing in sales monthly," says Lippert. "It helps to bring in the over-35 crowd who grew up on pizza," Lippert says.

Edwardo's Natural Pizza has a contemporary Eurostyle prototype.

Mazzio's growth pace this year will be "manageable," says Lippert, about one unit per month.

KIDDY SHOW. Kids aged nine years and under represent a good growth market, if not a gold mine, for Irving, Texas-based ShowBiz Pizza Time Inc. The menu features pizza, hot dogs, cotton candy, and a salad bar. However, its main attractions are a cast of robotic singing and dancing animals, led by the rodent Chuck E. Cheese, plus games, rides, and videos.

Currently with 274 units, 112 franchised, Showbiz opened 14 company units and three franchises in 1991, and projects another 25-plus company stores and three to five franchise openings this year, says executive vice president-development Dick Huston. An effort is underway to establish units in New York, where the system is underrepresented, he says. Huston estimates system sales at $300 million.

The company is the union of two former competitors similar in concept, ShowBiz Pizza and Chuck E. Cheese. For the past several years, it has been converting ShowBiz units to the Chuck E. Cheese brand, which it believes is more defendable against trade name copying. At present, only about 75 stores remain under the ShowBiz flag.

ShowBiz, too, is working on a smaller prototype building, about 6,000 sq. ft., down from 10,000 sq. ft.

The struggling Dedham, Mass.-based Papa Gino's chain was sold to an investor group led by Gordon Miles, chairman of Green Leaf Ventures Inc. in San Diego, owner of the Rusty Pelican and Carlos Murphy chains.

The 218-unit chain, located mainly in the Northeast, with a few units in Florida, has suffered in recent years from a depressed New England economy and strong local competition. Worsening financial conditions caused it to suspend plans to franchise last year. Estimated 1991 system sales are $143 million, per Technomic Inc. consultants of Chicago.

Some segment players seek a niche in smaller markets where the costs of doing business are less than in major metropolitan areas and major chain competition may be less as well.

"When you go into a small town, you're an event," says Hass Aslami,

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Domino's pioneered delivery, but now most of the chains are offering it, too.

president of Pizzas By Marchelloni. "In a big city, you're just another pizza place."

The 30-unit Joliet, Ill.-based chain can develop a pizza delivery-carryout store in a small town for a fraction of big-city costs.

Its 1,200-sq.-ft. delivery-carryout pizza units, located in Illinois towns such as Minooka, population 1,565, and Manteno, population 3,155, cost on average $65,000 to $70,000 to start up. But some sites can be opened for as little as $27,000 with leased equipment.

Naturally, megabucks marketing budgets are out of the question in such a modest system. "It's impossible for us to compete dollar for dollar with Pizza Hut and Domino's," says Aslami, a former PepsiCo marketing manager. "But we've been successful in teaching our franchisees community marketing."

For example, a Pizzas By Marchelloni franchisee increased his profile in the community by raising $900 with a special pizza sale to help rebuild a church flattened by a tornado. Another franchisee sponsored a pizza benefit for a community member who needed a heart transplant.

One franchisee sells cards to local businesses for a nominal fee good for $2 off the price of any size Marchelloni pizza. The local gas station or insurance agency then hands them out to patrons or encloses them with invoices as a goodwill gesture. "It makes you feel that the sender went out of his way for you," says Aslami. "It's not a coupon that comes in an envelope full of junk mail."

Madison, Wis.-based Pizza Pit is a regional chain that plies smaller Wisconsin markets as well as the sizable Madison area, the state capital. Like Pizzas By Marchelloni, it derives publicity from local charity benefits and community events, such as the recent kids' bicycle inspection it co-sponsored with the police department. "We feel we're closer to the community than the major chains," says marketing director Tom Hartl.

The 26-unit chain also has a single store in northern California, but it is negotiating to convert some additional local pizza places there, Hartl says. All told, it has 14 franchised units and finished 1991 with system sales of $13 million.

Little Caesar offers meal deals of pizza, salad, and Crazy Bread.

These days, meal deals "are the rage," says Hartl. Good examples are pizzas sold with add-ons such as breadsticks, garlic bread, or a bag of candy bars. The pizza and candy deal "worked surprisingly well," he notes, despite current diet-conscious trends.

Pizza Pit is also known for its offbeat TV advertising in the Madison market. For example, it runs 30-second spots that juxtapose split-screen images of Ollie North or Nancy Reagan and a monkey. When election time draws near, Hartl anticipates having similar fun with the presidential candidates.

TAKE-AND-BAKE. Take-and-bake pizza is well-established in the Pacific Northwest. If it spreads further, the concept could radically alter the perception of value in the pizza business.

Consider Portland, Ore.-based Papa Aldo's, the country's largest take-and-bake chain with 66 units, most in Oregon and Washington. Its typical 1,000-sq.-ft. strip center store costs $70,000 to $110,000 to open, saving

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space and money by eliminating seating and ovens. It offers the public a pizza to bake at home at a price 30% less than a ready-to-eat pizzeria pie, and substantially less than a delivery pizza, too.

For example, a Papa Aldo's combo pizza with eight toppings—including 70 slices of pepperoni and a pound of cheese—weighs nearly 4 lb. and sells for only $11.95.

Papa Aldo's is coming off a "terrific" 1991 in which sales increased more than 17% over the previous year, says vice president of operations Jerry Kenney.

However, sales were stagnant a few years ago, due largely to increasing competition from supermarket deli take-and-bake. "There wasn't that much difference between us and the supermarket product," says Kenney.

Papa Aldo's turned itself around by upgrading its food quality. It switched to scratch-made dough and sauce, and whole milk mozzarella cheese.

Papa Aldo's expansion is confined to the Pacific Northwest for now. In another year, Kenney foresees expansion outside the area. "The hurdle is communicating what take-and-bake is all about," he says.

GOURMET PIZZA. A number of full-service pizza chains have been positioning as casual-dining spots, a niche in which pizza fits nicely. A broadened and upgraded menu, fancier ambience, more service, alcoholic beverages, and a moderate check are the draws for maturing baby boomers.

Independent operator John Tosto sees a growing market for the 25 varieties of gourmet pizza he sells at Wild Asparagus, a deli, pasta, and pizza operation in Evanston, Ill.

Most popular is the signature Wild Asparagus pizza—grilled eggplant, zucchini, provolone cheese, roasted red peppers, fresh mozzarella, and asparagus. "We're glad we're in this niche—our pricier items don't sell as well as our $7.95-$9.95 pizzas," says Tosto.

The most heralded gourmet pizza purveyor is Los Angeles-based California Pizza Kitchen. "We see ourself as an upscale family restaurant serving pizzas and pastas," says co-owner Larry Flax. Albeit unusual ones. Among CPK's creations are the Southwestern Burrito pizza, topped with lime-marinated chicken breast, black beans, mild chiles, cheddar, green tomato salsa, and sour cream, priced at $8.50 and the Tuna Melt pizza, topped with tuna salad, sliced Roma tomatoes, sweet white onions, and aged cheddar cheese, $6.50.

"Some might say our check average—a little less than $10—is expensive for pizza," says Flax. "But we're after people who want quality, not quantity, and are willing to pay a little more for it."

CPK, which has 25 units in eight states, including outposts as far flung as Honolulu, Hawaii and McLean, Va., expects to open at least seven more units this year, and 15 more in 1993. It's gearing up for openings in Seattle, Boston, Dallas, New York City, and southern Florida. It counts on high name recognition in new markets from people who have traveled around the country and eaten in its established units. Sales totaled $55 million in 1991; $77 million are projected for 1992.

However, don't look for CPK to do much more franchising in addition to its pair of units in Las Vegas. "We never say never, but we're not favoring franchising, because these restaurants are difficult to run," says Flax.

Menu evolution is a continual process at CPK. "We aren't trendy, but we like to interpret trends," says Flax. When a pizza loses popularity, such as its andouille sausage-topped Cajun model,

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PIZZA

MARKET SEGMENT REPORT

it is ultimately replaced with a fresher taste, such as the new Rosemary Chicken Potato Pizza.

Lately, CPK has stoked up its lunch business by adding soups and sandwiches—in a CPK vein. For example, it introduced pizza bun sandwiches made with pizza dough. A favorite sandwich is grilled eggplant, roasted peppers, and smoked mozzarella. Sedona White Corn Tortilla Soup and potato leek soup are each priced at $3.95.

Mid-Continent Restaurants of Hillside, Ill., fancies its Edwardo's Natural Pizza a casual-dining concept, too. Edwardo's now has a new contemporary Eurostyle restaurant prototype that underscores that identity. "It has lots of plants, windows, and modern art posters, for a sophisticated antithesis to the old fashioned grotto look of the Mom and Pop pizzeria," says vice president of marketing Russ Lubliner.

Founded in 1978, Edwardo's was one of the first to offer stuffed pizza with whole wheat crust and fillings such as fresh spinach and broccoli, topped with regular and low-fat mozzarella cheese. It has 21 units, six of which are franchised, in the Chicago area, Minneapolis, and southern Wisconsin.

"This food was unusual then, but now it's an accepted way of eating," says Lubliner. In addition, Edwardo's has expanded its menu to increase customer frequency. New items include *pasta e fagioli* soup, chicken breast Caesar sandwich with roasted peppers on an Italian roll, and radiator-shaped pasta with broccoli and Italian sausage, $6.95. "You can pay $14.95 for that in downtown Chicago," says Lubliner.

Edwardo's plans to franchise more aggressively now. It is negotiating a multi-unit deal in Pittsburgh and considering others in the Midwest.

Woburn, Mass.-based Bertucci's Brick Oven Pizzeria has become a Wall Street favorite with its fast growth and strong earnings. It recently conducted its second public offering, raising $14.2 million. The chain will grow from its Boston hub outward in concentric circles, toward New York, New Jersey,

continued on page 164

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and the rest of the Northeast.

Founded in 1981, but not expanded until 1985, Bertucci's had 27 locations, all company owned, and $37.5 million in sales by 1991. Last year, comparable store sales dropped 0.4%, "not bad, considering New England's economy," says vice president of finance Norman Mallett. Average unit volume is $1.6 million, with newer stores running about $2 million. Eight more are expected to open this year.

The concept works by focusing on food quality. Pizza dough, pastas, bread, soups, and desserts are all made in house. The pizzas are fired in a hardwood brick oven. Bertucci's offers 15 specialty pizzas, including Nolio, topped with slivered prosciutto and caramelized onions, cream sauce, and extra Romano, ($7.20 small, $11.80 large); Fra Diavolo, with hot cherry peppers, sweet Italian sausage, tomato sauce, and mozzarella ($7.20, $11.80); and Rustica, roasted peppers, pepperoni, tomato slices, black olives, olive oil, and a sprinkle of mozzarella ($8, $12.35).

A recent addition is menuccis—miniature pizzas—priced under $5. Also slated for rollout is a dessert antipasto—a collection of bite-sized desserts, such as cannoli, tiramisu, and biscotti.

Bertucci's menu includes appetizers, salads, soups, and sandwiches, plus beer and wine. The check average is about $6 at lunch, $9 at dinner.

Bertucci's is also working on a "big tasting table" of complimentary nibbles that people can enjoy while waiting to be seated.

Pizzeria Uno, another Boston-based chain, is hoping that menu additions and a new building enhancement will increase its destination appeal and help improve a rocky fiscal 1991.

"We were very glad to see 1991 become history," says Bob Brown, chief financial officer for West Roxbury, Mass.-based Uno Restaurant Corp. He cited the poor New England economy as the major factor in its 1991 net income decline, down to $3.2 million from $3.8 million a year prior, on system sales of $135 million. Company store comparable sales declined 4%.

To broaden its 12-item signature line of Chicago style deep-dish pizza, which accounts for 40% to 50% of all entree

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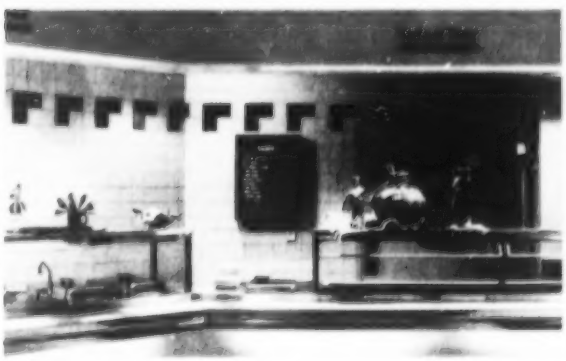

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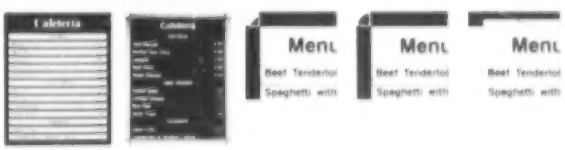

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sales, it recently introduced thin-crust pizzas called Pizzettas, in its Boston and New York markets.

Pizzetta toppings include BBQ shrimp, BBQ chicken, and Cordon Bleu. Prices range from $4.95 to $7.95.

"As we broaden the menu, we blunt the veto factor," says Greg Keenan, vice president of development. In addition to the pizza lines, Pizzeria Uno menus pasta, burgers, sandwiches, and chicken entrees. Some units even offer fajitas. The check average is $8.75.

Pizzeria Uno has 101 units, 45 of them franchised. It projects 20 more units this year, half will be franchised. Company store expansion will occur from New York to Virginia Beach, concentrating on New York Metro and Baltimore-Washington ADI. Franchise growth will concentrate on the West Coast, Michigan, and the East.

Shakey's developed a downscaled unit.

The 100th Pizzeria Uno recently opened with a new bistro-style look with a vaulted ceiling, located in an office building near Boston. The company is attempting to incorporate some of those design elements into its pad restaurant locations.

Prime Pizzeria Uno locations include sites near cinemas "because there's a good synergy between the theater customer and our customer," says Keenan.

It also does very well in festival marketplaces, such as Baltimore's Inner Harbor and New York's South Street Seaport, where it recently opened. "We don't raise our prices in this type of location, so we stay affordable to the family," says Keenan. **RB**

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